

trends



and challenges

facing the
future of the
san francisco
bay area



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THE REGION

The San Francisco Bay Area is the fifth largest metropolitan area in the United States, exceeded by Los Angeles, New York, Chicago, and Washington, D.C. It is a region of world-class cities and small towns with distinct personalities. The governmental system includes five regional agencies, nine counties, 100 cities, 162 school districts, and nearly 1,000 special districts.

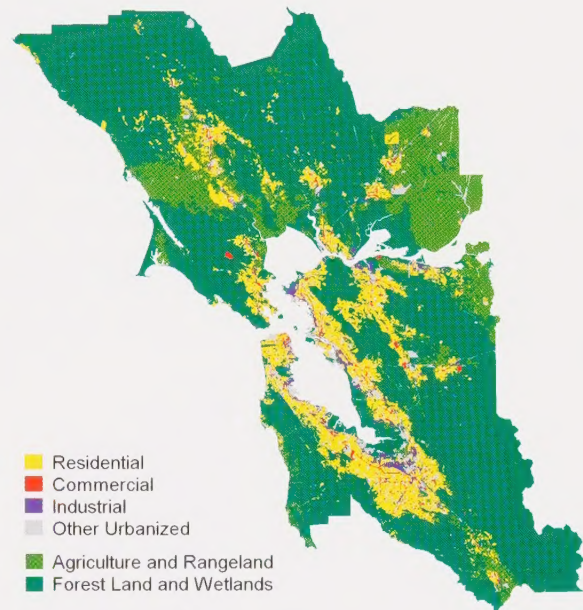
Diverse Mix

In 1769, Spanish explorers christened the San Francisco Bay. Nearly a decade later, the port city that guards the bay's entrance adopted the same name. Today, San Francisco, which long dominated the region commercially and culturally, includes some of the most densely populated land west of the Hudson River in the United States. The region is also distinguished by a diverse mix of communities, numerous parks, a thriving agricultural industry and hundreds of thousands of acres of open space.

Thriving Economy

The region's economy ranks as one of the largest in the world and includes a number of cutting-edge industries. It serves as an incubator for the high-tech industry and is a hotbed of biotechnology research and product development. It is also a favorite destination for many American and international tourists, a renowned wine-growing region, and a world-class financial center.

San Francisco Bay Area Current Land Uses



Source: Bay Area Futures, ABAG

The Region	1995	2020
Population	6.4 Mil	7.8 Mil
Households	2.3 Mil	2.8 Mil
Jobs	3.0 Mil	4.4 Mil
Employed residents	3.1 Mil	4.2 Mil
People of color	40%	53%
85 years and older	1%	3%
65 years and older	12%	20%
Less than 20 years old	28%	20%
Less than 5 years old	8%	6%

GROWTH RATE, AGE & ETHNICITY

An Additional 1.4 Million People by 2020

The Bay Area's population is growing larger, older, and more diverse. By 2020, 7.8 million people will inhabit the Bay Area, 1.4 million more than in 1995. However, the region is growing more slowly than the State of California. Between 1995 and 2020, the population of the Bay Area will grow approximately 22 percent, while California's will jump 53 percent.

In absolute numbers, the most significant growth will occur in Santa Clara, Alameda, and Contra Costa counties. The steepest rate of growth will occur in the less populated North Bay counties of Solano, Sonoma, and Napa.

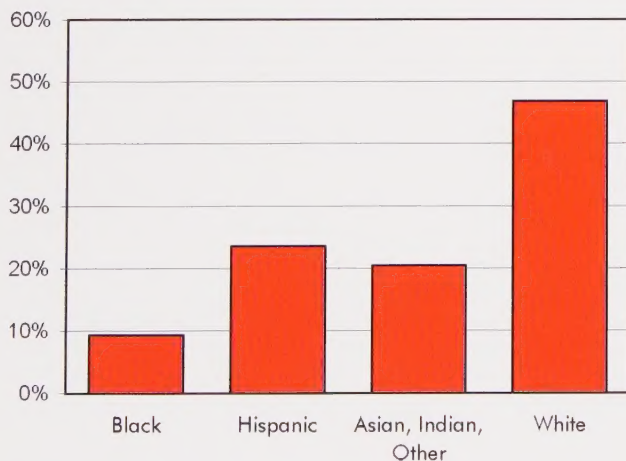
A Graying Population

The most dramatic demographic change will be the sharp increase in the number of people 65 and older. Between 1995 and 2020, this age group will nearly double, growing from 12 percent of the population in 1995 to 20 percent in 2020. But the most startling increase will be in the over-85 age bracket, which will more than double, expanding from 91,600 (or 1.4 percent of the population) in 1995 to more than 223,000 (2.8 percent) in 2020.

Bay Area Residents Live Longer

Due to its longer average life expectancy, the population of the Bay Area will grow grayer than the rest of the state. People born in the region are likely to live approximately six months longer than those born in other parts of California, and two years longer than the national average. The average life expectancy for Bay Area residents was 77.8 in 1994, compared to 75.7 for the U.S. as a whole. This longevity may be attributed to a healthier life style and the region's demographics. On average, Asians and Latinos tend to live longer than other ethnic/racial groups.

Projected Ethnicity in 2020



Source: California Department of Finance

A Diverse Region Growing More So

By 2020, more than 50 percent of the people living in our region will be persons of color, in contrast to 40 percent in the state as a whole. Caucasians will fall from 61 percent to 47 percent of the population between 1995 and 2020. At the same time, the Hispanic population will grow from 16 percent to 24 percent of the population; Asian/Pacific Islanders will increase from 16 percent to 20 percent. The African-American population will remain relatively constant at about 9 percent.



Working Older

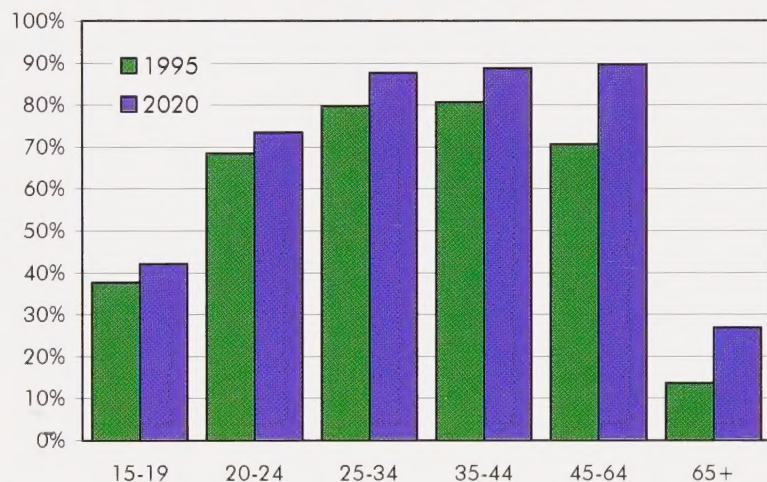
By 2020, more than one-quarter of those 65 years and older in the region will still be working. Nationally, changes in potential retirement benefits and a purportedly low rate of retirement savings by Baby Boomers may prompt many members of that age group to extend their careers. In this region, the incentive to postpone retirement will be even stronger.

The Bay Area's high cost of living—among the highest in the country—makes it harder to save and undermines the spending power of retirement benefits. The concentration of information technology and service jobs in the region also translates into more opportunities for older workers. Many of these jobs place less emphasis on strenuous physical labor, more on accumulated knowledge, and can be performed through flexible work arrangements such as telecommuting. At the same time, the scarcity of trained workers gives companies an incentive to retain older workers.

Working More Jobs

Nationwide, more than 6 percent of the labor force held more than one job in 1995, a 14 percent increase in just 10 years. The rate is higher and will most likely increase faster in the Bay Area. Holding more than one job seems to be one way residents cope with the region's high cost of living.

San Francisco Bay Area Labor Force Participation Rates: 1995 and 2020



Source: Projections 98

Working from Home

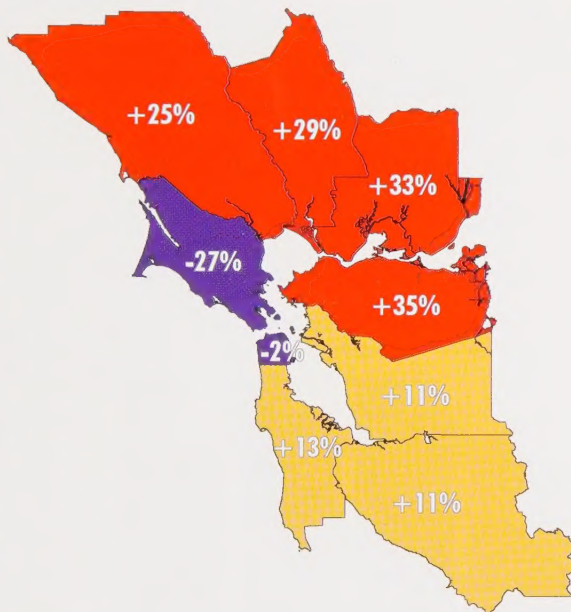
Given the Bay Area's dubious distinction as one of the most traffic-congested regions in the United States, advances in technology may transform the office job of the future. Telecommuting hasn't made much of an impact yet. In 1995, only 10 percent of Bay Area workers, 300,000 people, telecommuted to work full- or part-time. However, as the economics and technology of telecommuting improve, more people may work from home, attend meetings via satellite, communicate with colleagues via e-mail, and submit assignments via modem.



Population Change Among Children

The size of the region's school-age population will vary widely around the region in the next two decades. In Solano, Sonoma, Napa, and Contra Costa counties the school-age population will increase 25-35 percent by 2040. At the same time, the population of children 17 years old or younger will shrink in Marin and San Francisco counties.

Population Change Among San Francisco Bay Area Children, 2000-2040



Sources: ABAG; California Department of Finance

Population fluctuations may require the construction, or closure, of schools. Daycare demand may ease with a decline in the number of children in the zero-to-4-year-old bracket. A soaring college-age population will force colleges and universities to maximize the use of their facilities. But infrastructure questions are only one of many challenges the region must confront in educating its children.

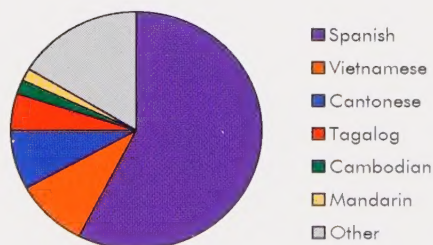
The Language Challenge

In 1996, more than 50 percent of the Bay Area's K-12 students were children of color. By 2020, that percentage will grow. Many of those children will start school speaking a primary language other than English. In academic year 1996-97, approximately 12 percent of the region's K-12 students were classified as "limited English proficient," according to the Demographics Unit of the California Department of Education. Local school districts and the state are likely to continue to be embroiled in debates about how to maximize the academic success of these children.

Income and Performance

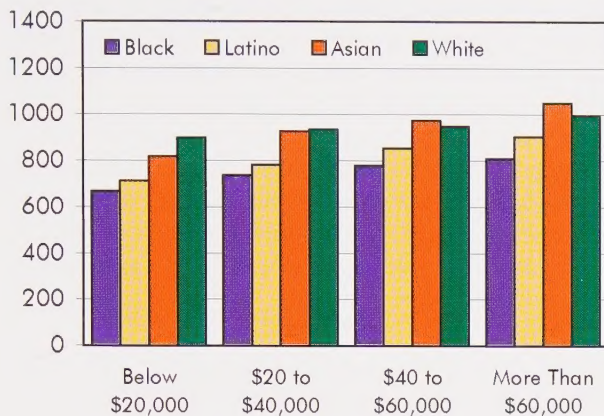
Poverty rates in the Bay Area are low compared to other similarly sized regions in the country. However, given the region's higher cost of living, the actual poverty rate relative to other areas is probably higher. Plus, the poverty rate has been growing faster than the U.S. as a whole. Between 1989 and 1994 (the latest year for which data are available), the number of Bay Area residents living in poverty grew by 2.7 percent.

San Francisco Bay Area K-12 Public School Students with Limited English Proficiency



Note: "Other" includes 49 languages
Source: California Department of Education, 1996

Average California SAT Scores by Parental Income and Race/Ethnicity



Source: *New Directions for Outreach*, 1997

researchers note that parents' daily involvement in their children's educational progress is crucial. As more parents are forced to travel long distances to work or maintain more than one job to make ends meet, that involvement is constrained.

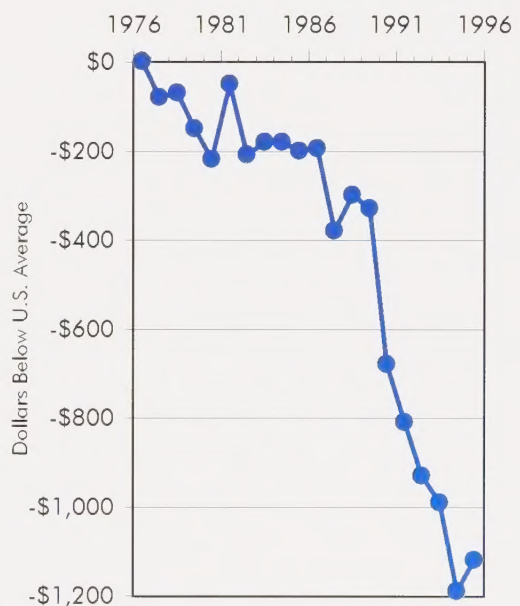
For the last two decades the proportion of Bay Area residents in the lowest income brackets has grown. This trend is expected to continue. To the extent that it does, the challenges confronting Bay Area schools will be compounded.

Financing Public K-12 Education

Bay Area school districts will be hard pressed to meet these and other related challenges if they do not receive substantially more funds. According to a 1996 report by *Education Week*, California ranked 48th in the nation in terms of the relative fiscal effort it exerted on behalf of K-12 public education. It also ranked 41st in terms of per-pupil spending in 1995-96 (the most recent year for which data are available), investing \$4,977 per student in contrast to the U.S. average of \$6,103. Although California boosted its per-pupil expenditures in 1996-97, it's unlikely to have closed the gap.

Research suggests that there may be a correlation between income level or economic factors and academic performance as measured by SAT scores. According to a recent report by the University of California Outreach Task Force entitled *New Directions for Outreach*, students whose parents are more affluent score higher on their SAT tests. The finding was based on 1995 College Board data on California SAT takers. Many factors influence a student's achievement, including pervasive group stereotypes and peer culture. But the

California's K-12 Expenditures Per Student Compared to U.S. Average



Source: *Rankings of the States: 1996*, National Education Association



High Income, for Some

Of the millions who live here, only a handful of Bay Area residents have become multimillionaires—writing best-selling software programs, inventing highly sought after hardware products, or launching successful start-up companies. Nevertheless, the region boasts the highest household income in California.

Selected California Counties Ranked by Median Income

County	Rank
Contra Costa	1
Marin	2
San Mateo	3
Santa Clara	4
Solano	6
Alameda	8
Sonoma	11
Napa	13
San Francisco	15
San Diego	24
L.A. Region (estimate)	25

Source: California Statistical Abstract, 1997

In 1995, the median household income in the Bay Area far exceeded that of Southern California, according to the California Department of Finance. However, the income gap between the most and least affluent was also wider in this region. As household income continues to rise, that disparity will grow.

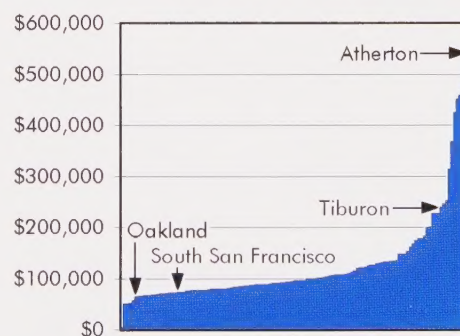
Take Oakland and Atherton, for example. The ratio of 1995 average household income in Atherton to that in Oakland was 6 to 1. By 2020, it is projected to spread to 8 to 1. Although the scale is smaller, the pattern is the same between Tiburon and South San Francisco. In 1995, the average income in Tiburon was 2.5 times that of South San Francisco. By 2020 it is projected to grow to 3.5 times.

The bifurcation of income and the shrinking of the middle class—phenomena that are occurring worldwide—are, in large part, due to changes in the labor market. Wage distribution has become considerably more unequal. Workers at the top are experiencing real wage gains while those at the bottom suffer real wage losses.

Children the Most Vulnerable

Perhaps the most painful aspect of the growing income gap is its effect on children. U.S. Census Bureau estimates indicate that the number of children living below the poverty line is increasing dramatically. In 1993 (the latest year for which data are available), 15 percent of children under 18 in the Bay Area fell below the poverty line. The percentages ranged from a low of 8.6 percent in Marin, to 22 percent in San Francisco. In fact, that number most likely understates the extent of the

Projected Mean Household Income in 2020 San Francisco Bay Area Communities*



* Subregional Study Areas
Source: Projections 98

problem since the Census Bureau uses a single poverty threshold for the entire country. If the poverty line were adjusted to reflect the Bay Area's high cost of living, the number of children living in poverty could double.

The widening income gap raises ethical as well as economic concerns. According to the UCLA Center for Policy Research, approximately one in four children living near or below the poverty line in California do not have health coverage. These children are less likely to get timely treatment for infectious or chronic diseases that can lead to serious medical conditions, the costs of which are borne by society as a whole.

Percentage of Bay Area Children Less Than 18 Years Old Living Below the Poverty Line in 1993



LIVABLE WAGES

Earning Enough to Survive

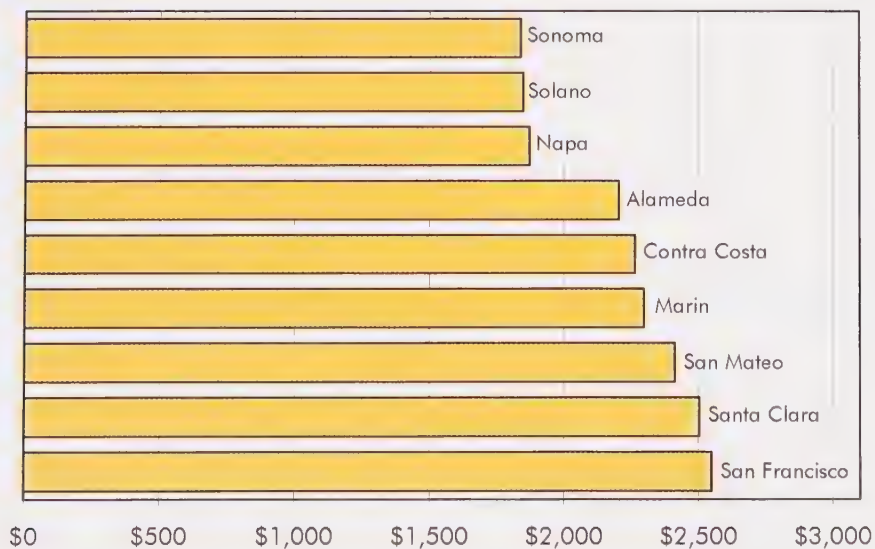
Fueled in part by welfare reform, in 1996 Wider Opportunities for Women (WOW) developed what they called the “self-sufficiency standard.” The standard estimates the minimum amount of money working adults must earn to meet their family’s basic needs for housing, childcare, food, transportation, medical care and taxes. WOW’s calculations, published in *The Self-Sufficiency Standard for California*, assume that the adult(s) in the household work full time. Therefore the calculations include costs associated with employment, specifically childcare and transportation. The standard takes into account cost variations based on geography, particularly in housing, as well as family size and the age of household members. It also assumes that the household receives no public or private subsidies, such as welfare, Medicare, free babysitting from relatives or friends, or food provided by a church or food bank.

The Feasibility of Self-Sufficiency

According to the organization’s calculations, a single-parent family with one preschool-age child living in Sonoma County would need \$1,840 a month, or \$10.50 an hour, to achieve self-sufficiency. In San Francisco, where jobs are more plentiful but housing quite expensive, the stakes are higher. Here a single parent would need to earn \$2,550 per month, or \$14.50 per hour. Both hourly wages far exceed the pay of most entry-level or unskilled jobs.

Not surprisingly, households with two wage-earners fare better. For example, a San Francisco couple with one preschool-age child would need \$2,880 per month, only \$330 more than the single-parent family. This salary could be achieved by two adults

Monthly Self-Sufficiency Wage Required by One Adult and Preschool-Age Child



Source: *The Self-Sufficiency Standard for California*, Wider Opportunities for Women

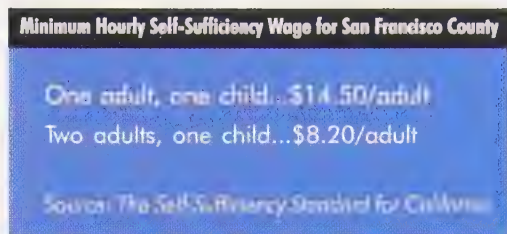
each earning \$8.20 per hour. However, their hourly rate would exceed the \$5.75 California minimum wage, the pay scale of many entry-level and minimally skilled jobs.

Entry-Level Jobs

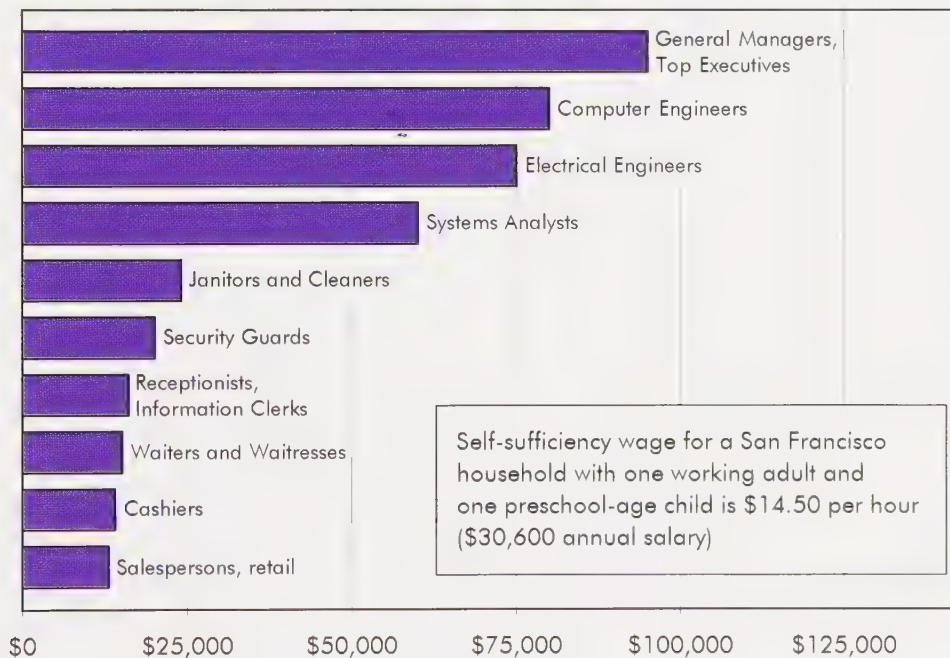
Many of the occupations expected to net the most jobs in the next few years will be low-paying jobs that do not require a college education. However, the wages for these occupations will not be high enough to achieve self-sufficiency. The difference between what the labor market will pay and families need is referred to as the *earnings gap*. This gap, which is most acute for single-parent families, illuminates the difficulties faced by families struggling to get off welfare. To the extent that they and other low-income working families are unable to bridge the gap, the higher the cost to society.

The region could see more homelessness, higher crime rates, and greater demands on social and other municipal services. In addition, society will be deprived of the potential contributions of a significant segment of our population.

The challenge now is to help working families bridge the earnings gap, particularly as economic growth slows and the number of job seekers swells.



Salaries (in 1995 dollars) of the 10 Fastest-Growing Occupations



Source: California Economic Development Department, ABAG

INDUSTRY CLUSTERS

Industry Clusters in the Bay Area

An industry cluster is a group of businesses that tend to locate and grow in close relation to one another. By examining these clusters, researchers can anticipate growth and contractions in a regional economy.

San Francisco Bay Area Knowledge-Based Industry Clusters*

Industry Cluster	1995	2020	% Increase
Computers & Electronics	174	187	64%
Telecommunications	87	135	55%
Multimedia	64	112	75%
Movie/TV Production	37	67	81%
Biotechnology	35	53	51%
Environmental Technology	15	23	53%
Travel and Tourism	133	194	46%
Subtotal	485	771	59%
All Bay Area Industries	3,028	4,398	45%

*In thousands of employees. Source: ABAG

In 1995, more than 480,000 people in the San Francisco Bay Area were employed in one of seven knowledge-based industry clusters. These included the computer industry, multimedia, and biotechnology, among others. The number of jobs in these clusters is projected to grow by 59 percent between 1995 and 2020. In comparison, all jobs in the region are expected to grow 45 percent. The computer cluster alone will add more than 70,000 jobs ranging from high-wage engineering jobs to low-wage stockroom clerks.

By 2020, the Bay Area's knowledge-based industry clusters will employ approximately 18 percent of the region's

workforce. In its recent report, *Leading the Transition to a Knowledge-Based Economy*, the Bay Area Economic Forum stressed that these clusters drive innovation, economic growth, and job generation in the region.

The Bay Area Economic Forum's study compared the performance of the Bay Area's knowledge-based industry clusters with those of comparable urban regions, such as Seattle, Houston, New York, and Los Angeles. The Forum concluded that the Bay Area is quite competitive, ranking first or second in all but one of the knowledge-based industry clusters studied in terms of employment concentration and output per employee.

Performance of San Francisco Bay Area Knowledge-Based Industry Clusters Compared to Other Similarly-Sized Regions in the U.S.

Industry Cluster	Employment Concentration	Output per Employee
Computers & Electronics	1st	2nd
Telecommunications	1st	1st
Multimedia	2nd	2nd
Movie/TV Production	n/a	n/a
Biotechnology	2nd	1st
Environmental Technology	1st	2nd
Travel and Tourism	5th	5th

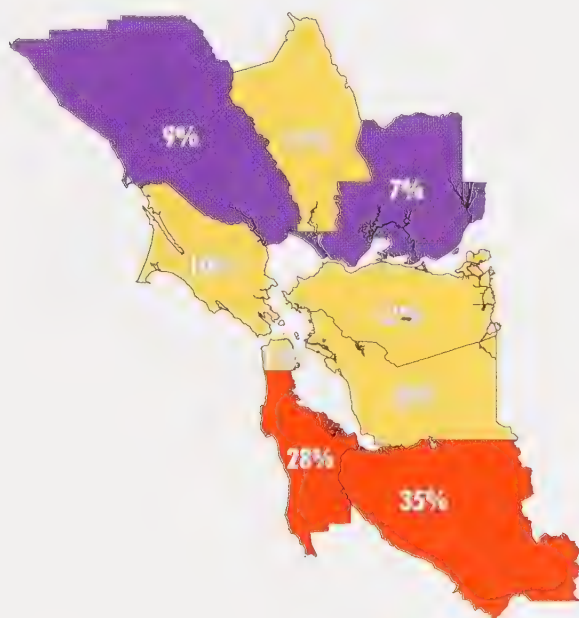
Source: Bay Area Economic Forum

Subregional Industry Clusters

Within the Bay Area, the Silicon Valley has the highest concentration of jobs in the computer and electronics cluster. It also tops the list in four other knowledge-based clusters: telecommunications, multimedia, movie/TV production, and biotechnology. Job growth in knowledge-based industries will continue to be strongest in Santa Clara County. Between 1995 and 2020, these clusters will produce approximately 35 percent of the county's new jobs.

San Mateo County will rank second, with 28 percent of its new jobs in knowledge-based industries. Here the trend will be driven by the health-care industry, since this county has the greatest concentration of employees in the biotechnology cluster. San Mateo County will also benefit from the expansion of the San Francisco International Airport, which is included in the travel and tourism cluster. This county also has a significant number of jobs in the movie/TV cluster, as do Marin and San Francisco counties.

Knowledge-Based Industry Job Growth in the San Francisco Bay Area, 1995-2020



Source: ABAG, Bay Area Economic Forum.

CITY/SUBURB INTERDEPENDENCE

Changing Central City–Suburb Relationship

The relationship between cities and suburbs has changed dramatically over the last few decades. Fifty years ago, urban areas were the focal point of a region's economic and social activity. Cities were where a community's major employers, museums, theaters, as well as most people, made their home. Today, those resources, and the economic activities that surrounded them, have dispersed.

Spatial Development Diagram of the San Francisco Bay Area



Source: *Urban Evolution in the San Francisco Bay Area*, UC-Berkeley Institute of Governmental Studies, 1964

Suburbs no longer depend on central cities as they once did. Indeed, the relative affluence of suburbs has grown as they have captured more new housing and jobs. Although central cities continue to serve as regional job centers, they also struggle to provide services to relatively more needy populations with static or declining funding. Attempts to remedy the situation by raising revenues, for example by increasing hotel or sales taxes, are often counterproductive since such increases may motivate businesses to move out of the city.

Interdependence

This does not mean, as some suggest, that newer, more affluent suburbs can ignore the problems of older suburbs and central cities. Research has demonstrated that the most successful metropolitan areas are those where cities *and* suburbs are healthy and vital.

Suburban areas adjacent to vibrant central cities have higher income, population, and employment growth than those surrounding stagnant central cities. Metropolitan areas where the incomes of suburbanites and city dwellers are more equal generally have higher rates of growth. Also, most evidence suggests that the complementary nature of city-suburb relationships is likely to increase in the emerging global economy.

Anthony Downs, author of *New Visions for a Metropolitan America*, distills the arguments about why suburbs should care about the fate of cities to four major points:

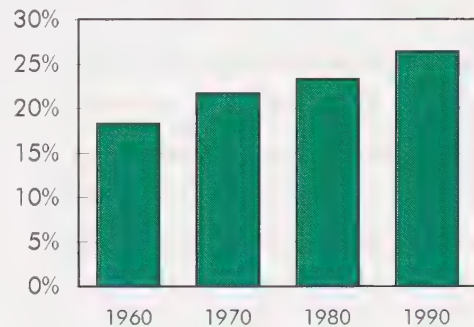
- Creeping blight: symptoms of urban decline will spread outward from the cities to the inner-suburbs and eventually to newer suburbs;
- The majority of the nation's (and the region's) population growth will occur among people most at risk (people of color and low-income) and will be disproportionately located in the cities, eventually creating a drag on the regional economy;

- Many suburbanites depend on cities for their jobs; and
- The region is the basic unit in the global economy. Success demands healthy cities and suburbs.

The Regional Linkages

Today, the region, rather than the city, is the basic geographic unit in which goods and services are produced. Workers are hired from a regional labor pool. Transportation and infrastructure systems are regional. That interdependence is clearly illustrated by the increasing mobility of the Bay Area's labor force. For example, Silicon Valley and San Francisco have significantly more jobs than employed residents. Job-rich communities rely on their neighbors to provide housing, schools, and transportation for their workers.

Percentage of San Francisco Bay Area Workers Commuting Outside Their County of Residence



Source: U.S. Bureau of Economic Analysis, 1996

The Bay Area also shares natural and human-made resources. Its colleges and universities help incubate new businesses and produce highly educated workers for businesses throughout the region. Its urban communities, and the region as a whole, benefit from the fruitfulness of their agricultural neighbors. Its ports—air and sea—link the Bay Area to the world. Its three major cities, San Francisco, San Jose and Oakland, continue to house a number of the region's major art and cultural centers and sports arenas. And, all of the region's inhabitants share the use of, and responsibility for, the Bay Area's land, air, and water resources.

Global Economic Competitiveness

Despite all that we share, there are substantial disparities between urban and suburban areas in terms of income, race, crime, and safety. To the extent that the region ignores these differences, its ability to compete in the global marketplace will be hurt, reasons Neil Peirce, author of *Citistates: How Urban America Can Prosper in a Competitive World*.

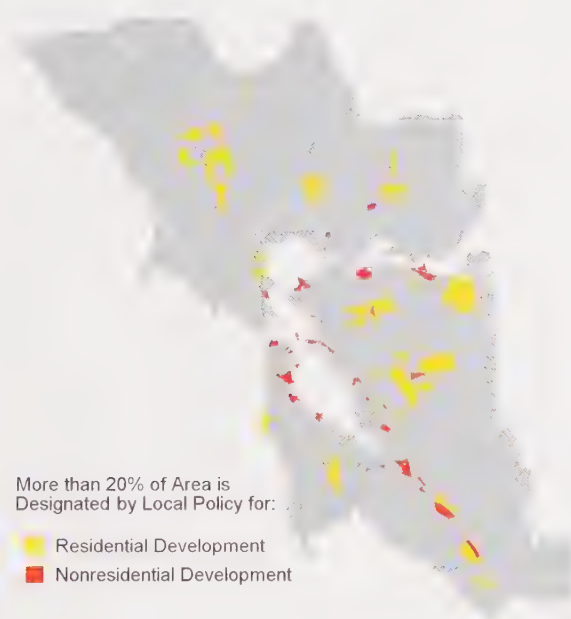
"Trouble in the cities isn't cost free," says Peirce. "Fail to address inner-city social problems now, and the bill—in higher welfare costs, failed schools, packed prisons—will come back to haunt everyone in higher taxes."



Land Use in the Context of Growth

The future of our region will be determined in large part by the way in which we accommodate an expanding population and economy. How and where we build our homes, factories, and office buildings will determine how much time we spend in traffic, the quality of our air and water, and how much open space remains available to us.

Land Designated for Development 1995-2020



Source: ABAG, Local Policy Survey

A significant portion of the land anticipated for development is on the periphery of the region. Here the earth is covered with meadows, forests, orchards and fields. Gradually, large portions of these areas will be transformed by market forces and local planning policies that encourage, or even subsidize, low-density development on inexpensive land.

Single-family homes are planned for more than half the land earmarked for residential development. Although some communities have zoned their land to allow more buildings per acre, the projects being approved typically fall well below those densities. As a result, residential, and consequently commercial/industrial development, is being pushed ever outward.

The Price of Low-Density Development

This pattern of low-density development exacts a high cost on the environment, as well as its inhabitants. Research has shown that suburban sprawl generates more solid waste, as

well as water and air pollution, than compact development. It also requires major infrastructure investments: new roads and highways, water and sewer-line extensions, and additional reservoirs. This type of land development is more expensive for the region. Yet these costs typically are not included in the development fees levied on new projects. As a result, residents of older cities are subsidizing sprawl.

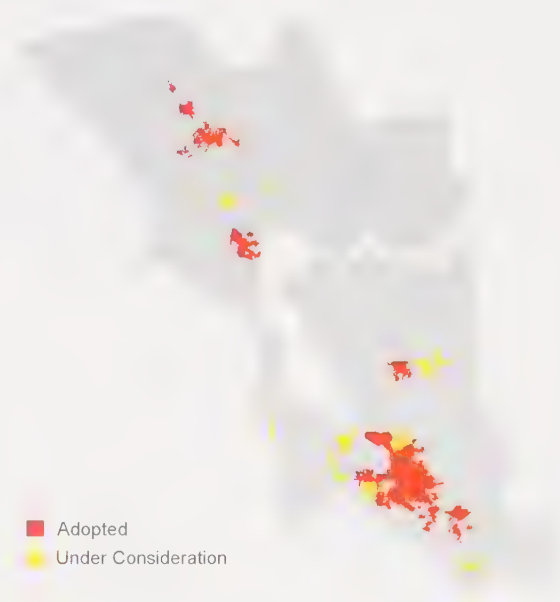
Are Land-Use Patterns Changing?

Current state environmental review procedures provide a structure for evaluating the impact of specific developments. However, the broader implications are often overlooked. For example, an urban community's decision to reduce development intensity is likely to spur sprawl in undeveloped areas. Job-rich communities that restrict residential development may compound traffic congestion elsewhere in the region.

In an attempt to control the pace and direction of development, some communities have adopted urban growth boundaries. According to the Greenbelt Alliance, 11 Bay Area communities had adopted such boundaries between late 1996 and early 1998. Another nine are considering adoption in 1998. Other communities, principally less urbanized ones, are using growth limitations (limits on the number of new units approved per year), local plan revisions, and conditions on development approvals to control development.

Many cities at the heart of the region's transportation system are exploring ways to encourage their redevelopment. Some of these efforts have been stymied by site contamination, neighborhood opposition, and the need to assemble small, noncontiguous parcels to achieve greater design flexibility. The extent to which communities such as San Francisco, Oakland, and Richmond are able to increase infill development—the reuse of vacant and underused lots—may release development pressure on communities at the region's periphery.

Urban Growth Boundaries Recently Adopted or Under Consideration



Source: Greenbelt Alliance, 1998.



The Price of Imbalance

The Bay Area's burgeoning economy has produced more jobs than housing units, particularly in job-rich communities. Consequently, the cost of buying or renting a place to live in the region has soared. Given the amount, location, and type of housing being planned, the region's housing costs are expected to remain among the highest in the nation.

San Francisco Bay Area Job and Housing Growth 1995-1997



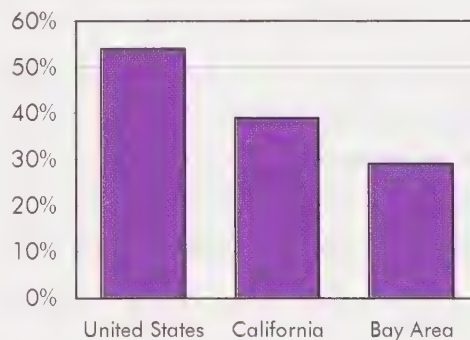
Source: *Bay Area Futures*, Urban Land Institute, 1997

third quarter of 1997, rents rose an average of 33.3 percent in San Francisco, 29.1 percent in Santa Clara County, 24.6 percent in San Mateo County, and 16.9 percent in Marin County, according to Realfacts, a Novato data service. In contrast, the U.S. Consumer Price Index rose only 5 percent during the same period. In 1993 (the most recent year for which data are available), Santa Clara County and the San Francisco-Oakland metropolitan area ranked among the country's eight worst housing markets based on the ratio of low-income renters to low-income units, according to the Washington, D.C., Center on Budget and Policy Priorities.

Nearly 200,000 acres in the region have been earmarked for residential development over the next 20 years—the equivalent of 5.5 Oaklands or 16 Walnut Creeks. A significant portion of that development is planned in areas distant from those earmarked for commercial/industrial development. That discrepancy will exacerbate the region's problems, such as traffic congestion.

According to the California Association of Realtors, in 1997 the median price of an existing Bay Area home was \$292,610, in contrast to \$186,490 statewide and \$124,100 nationally. Rental rates are also high and rising sharply. Between the end of 1995 and the

Proportion of Households That Can Afford a Median Priced Home



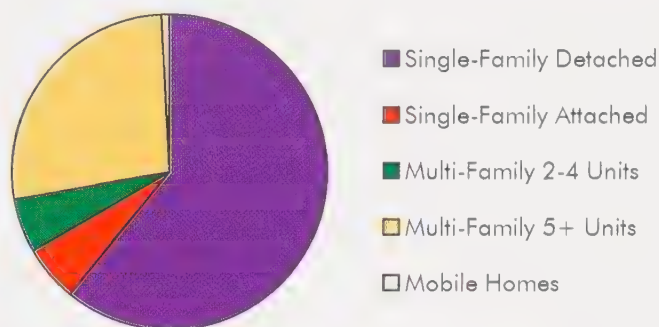
Source: *California Real Estate Trends*, 1996, California Association of Realtors

Other Limits Imposed by Housing Stock

According to the California Department of Finance, more than two-thirds of the housing built in the Bay Area between 1990 and 1996 were single-family detached units. Of the land available for residential development between 1995 and 2020, 60 percent is earmarked for single-family homes.

In the Bay Area, single-family detached homes are beyond the reach of many households. Those more affordable in price tend to be built far from jobs and public transit. Many new single-family homes are also two-story, which may be inaccessible to the growing numbers of older or disabled residents. This conformity of design also limits the options available to increasingly diverse families, including multigenerational households whose numbers are projected to increase substantially.

New Housing Built in the San Francisco Bay Area by Type, 1990-1996



Source: E-5 Report, 1997, California Department of Finance

Many Bay Area communities have resisted higher density housing based on the real or perceived failings of older high-density projects. Consequently, many private developers have steered clear of attached-housing developments, such as apartment and condominium complexes, because they are often more controversial and take longer to process even when approved. In addition, lawsuits filed against developers by homeowners associations for alleged construction defaults have also chilled the attached-housing market.

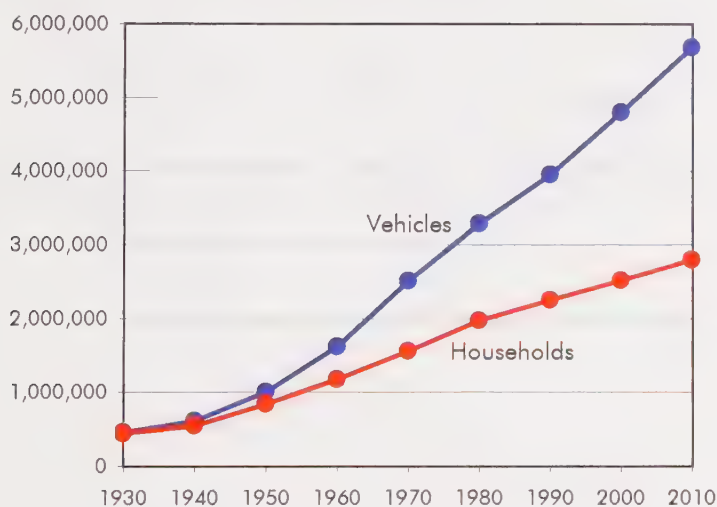
However, architects, developers, and local governments have learned from past mistakes how to successfully design and manage more compact housing, frequently turning one-time opponents into ardent supporters. Such housing developments typically require less water, and, when sited near public transit, can help reduce traffic congestion. Multifamily and attached housing also provide more affordable options for young families and other segments of the population.



Growing Traffic Congestion

During the 1990s, traffic congestion on regional and local roadways has steadily increased. A significant portion of the congestion during peak commute hours is the result of Silicon Valley's burgeoning economy. The State Department of Transportation (Caltrans) estimates that during the two-year period 1995-1996, two-thirds of new highway commuters were headed to the South Bay. However, the region's traffic woes extend beyond the South Bay and peak commute hours.

Growth in San Francisco Bay Area Vehicle Ownership, 1930-2010



Source: *Auto Ownership in the San Francisco Bay Area, 1997*, Metropolitan Transportation Commission

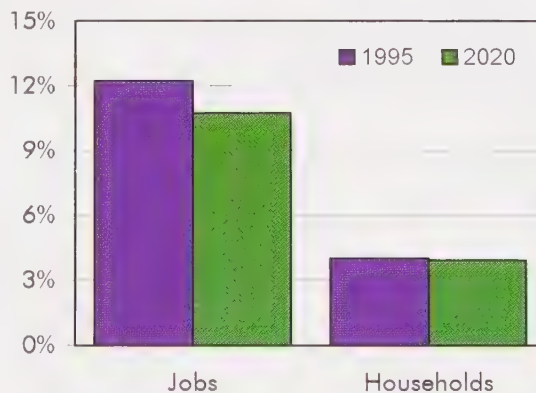
Fewer than one in four automobile trips made by Bay Area residents are to work. The vast majority of daily trips are less than five miles. They are trips to the grocery store, gym, daycare center, or a child's soccer practice.

A 45 percent drop in real dollars in the cost of gasoline per mile between 1980 and 1990 encouraged more people to slip behind the wheel. During that period, the number of people in the Bay Area driving alone to work grew from 1.6 million to 2.1 million—a 35 percent increase—despite significant public investment in mass transit and High Occupancy Vehicle (HOV) lanes.

The way we have designed our communities, particularly modern subdivisions, has also forced us into our cars. Long distances between home and other activity centers often necessitate a car. This poses a significant problem for the more than two million Bay Area residents who can't drive, many of whom are seniors, disabled, low-income or children.

It is not economical to provide mass transit to low-density neighborhoods with few houses per acre. However, if current trends continue, most new housing built between 1995 and 2020 will be low-density, single-family developments

San Francisco Bay Area Jobs and Housing Located Near Ferry and Rail Service



Source: ABAG

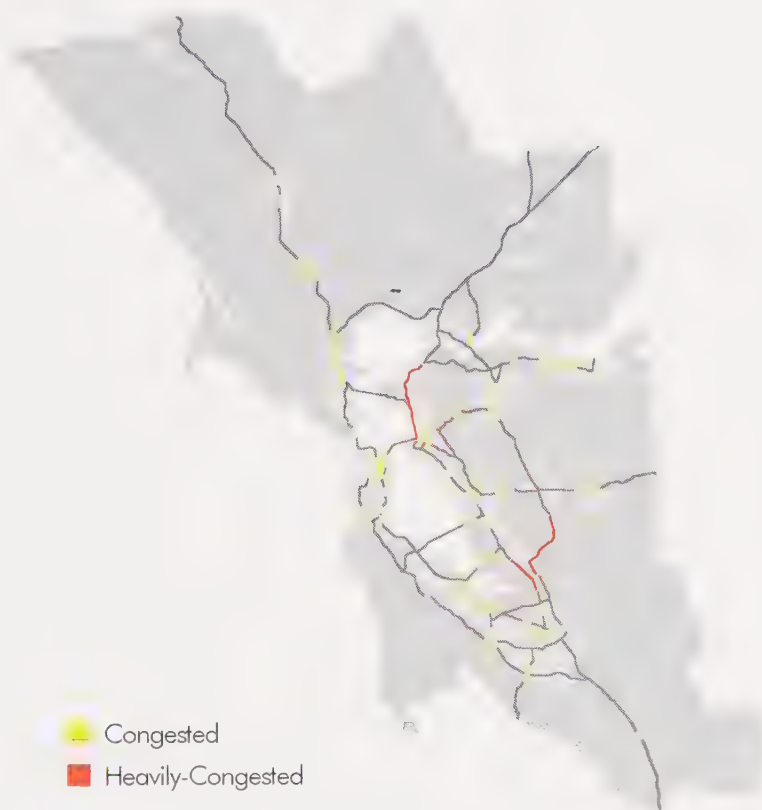
on the region's periphery. Eighty percent of this forecasted development will be built more than three miles from a rail station—BART, Caltrain, Santa Clara Light Rail, Muni Light Rail—or the ferry terminals.

One Way Out of the Jam

Given the escalating imbalance between job and housing growth, extensive residential development in outlying areas poorly served by public transit, and constrained transit operating funds, the Bay Area is likely to see significantly more highway congestion in the future.

One way to counter this trend would be to make more creative use of the large number of vacant and underdeveloped lots (land occupied by abandoned or deteriorating buildings) near the region's rail stations. Housing constructed in these areas would offer an alternative to those who have been forced to live on the region's periphery, far from mass transit. The more Bay Area residents can and chose to walk, bicycle, or use public transit, the less congested our roads will be, the cleaner our air and water will be, the longer our open space will remain undeveloped, and the less money will be needed for highway expansion and related infrastructure.

Current and Projected Highway Bottlenecks



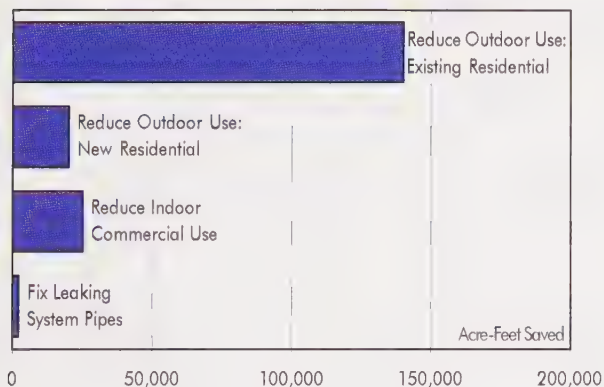
Source: Metropolitan Transportation Commission, ABAG

WATER SUPPLY

Demand Exceeds Supply

California's growing population will intensify the demand for water. According to the California Water Plan, by 2020 the state will face a water shortfall of 2.9 million acre-feet in average years. An acre-foot is approximately 326,000 gallons, enough to cover an acre of land one foot deep and supply a family of five for a year. In drought years, the shortfall will swell to 7 million acre-feet.

Conservation Measures Needed to Avert Future Water Shortages in Normal Rain Years in the San Francisco Bay Area



Source: *The California Water Plan Update, 1998*

The forecast for the San Francisco Bay Area is far less dire. However, the projections assume a substantial increase in conservation efforts. The greatest water savings are anticipated through landscaping and irrigation in new and existing developments and aggressive conservation efforts by commercial and institutional establishments.

If the Bay Area is able to achieve these conservation goals, there will be enough water in average years to serve urban, agricultural and environmental customers. The problem occurs in drought years, when the region's water supply would be cut an estimated 24 percent. This would leave the region approximately 376,000 acre-feet short of its minimum requirements.

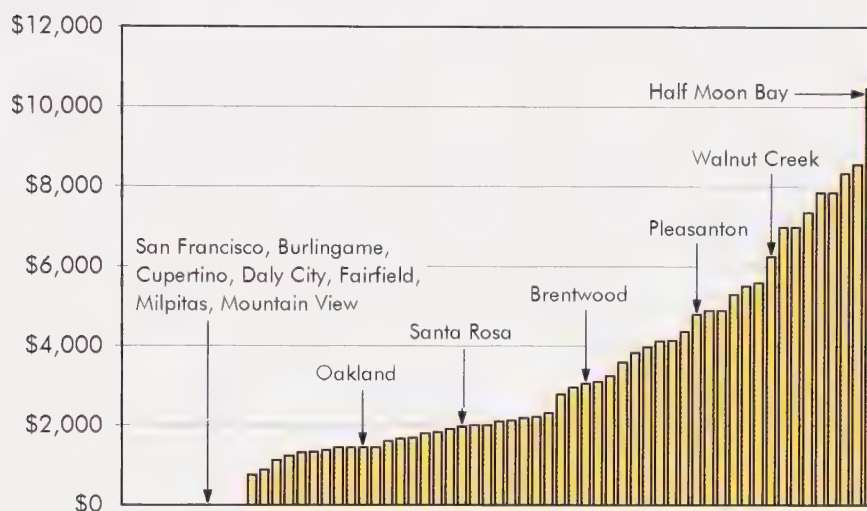
To close, or at least shrink, its water gap in a drought, the region would need to step up its water conservation and recycling efforts. For example, water agencies would need to implement ambitious water-recycling plans and add storage capacity to existing dams. The region could also increase its water supplies through water transfer agreements with agencies outside the region and a state drought water bank. However, given that the rest of the state will be facing deeper water deficits, it is unlikely that the Bay Area, which already imports two-thirds of its urban water supply, will be able to import its way out of the problem. But, the way we manage growth can exacerbate or minimize our water problems.

So, How Are We Managing?

Local policies regarding water management vary widely between jurisdictions. This lack of coordination often works against the best interests of the region. For example, many local governments have extended water and sewer services in response to development pressures. In some cases those additions have stretched local water supplies dangerously thin. At least one Bay Area district failed to add storage capacity as it added customers, ultimately putting current users at risk. Some water suppliers have imposed a tier pricing system to encourage conservation. Under this system, rates increase in relation to the volume of water consumed. Other districts charge one rate per unit of water, no matter how much water is consumed. A handful of districts that don't use meters charge a fixed, monthly rate regardless of how much water is used.

Districts also impose widely varying fees to hook up to their distribution system. In many cases, new developments are charged no fee, or simply the marginal cost to extend service—to install lines and meters—rather than the full cost to replace or expand the system. The same is frequently true of industrial users. Residents in developed portions of the district share these costs, even though it would be unnecessary to replace or increase their water supply were it not for the new development. Plus, the more money spent on extensions, the less money districts have to maintain or upgrade, older neighborhoods.

Water Connection Fees Charged by San Francisco Bay Area Water Districts for New Residential Units



Source: California Water Charge Survey, 1997

Pollution Threatens Supplies

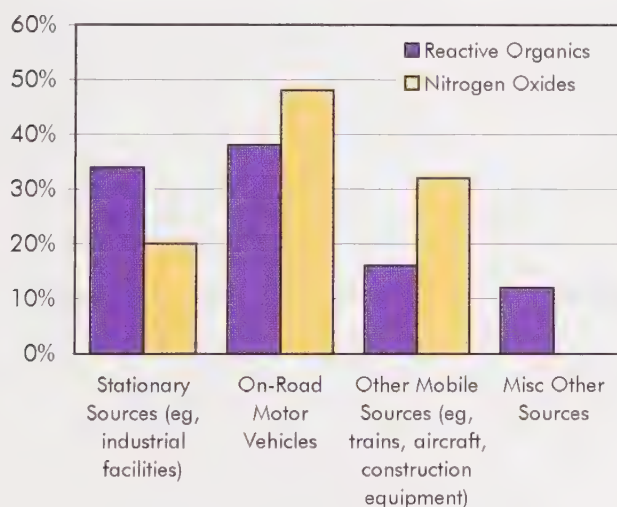
As development spreads across the natural landscape, the region's waterways and water quality are threatened. Roofs, roads, parking lots, and other impenetrable surfaces prevent rainwater from percolating down through the soil to recharge groundwater supplies. Rainwater runs off these surfaces quickly, increasing the odds of flooding and erosion in heavy storms. Plus, as the rainwater flows across parking lots and roads, it collects pollutants, such as heavy metals and pesticides, and washes them into streams and ultimately the Bay.

Not only is an adequate supply of water essential to the Bay Area's inhabitants, it also undergirds the region's economy. If businesses perceive the region's water supplies are unstable, they may consider relocating.

Problems Linked to Cars

Despite dramatic population growth, the Bay Area's air quality has improved significantly over the past three decades thanks to cleaner motor vehicles and fuels, air-pollution control measures implemented by industry, and California's vehicle inspection and maintenance program. In fact, the region enjoys cleaner air than most major metropolitan areas in the nation. However, the region continues to fall short of state standards for some pollutants. Plus, the Bay Area, along with the rest of the nation, is producing more climate-changing greenhouse gases. Both problems are directly linked to our escalating car use.

Projected Sources of Ozone in the San Francisco Bay Area in 2000



Source: Bay Area 1997 Clean Air Plan and Triennial Assessment

Most Bay Area residents use vehicles for most if not all of their transportation needs. In fact, Bay Area auto use is projected to grow significantly faster than the population through 2010. One consequence of that growth is increased air pollution.

Ozone and Greenhouse Gases

According to the Bay Area Air Quality Management District, motor vehicles produce nearly half of the emissions that combine to produce ozone, the principal component of smog. Cars are also a major source of carbon monoxide, fine particulates and certain toxic contaminants that, along with ozone, are detrimental to human health.

Cars also produce a significant amount of carbon dioxide, which contributes to global warming. However, unlike air pollutants, carbon dioxide can't be removed easily or inexpensively by attaching emission-control devices to vehicles. The only way to cut carbon dioxide is to improve fuel economy, reduce the number of vehicles on the road, or switch fuels, none of which have much popular support.

To the extent that our land use increases—or decreases—auto dependence, our air quality and the world's climate will be affected. Bay Area homes, job sites, schools, shops, and services are frequently scattered over great distances. They may be bordered by vast parking lots and wide, high-speed roadways that make public transit, walking, and cycling between sites impractical. Newer developments are often built at densities too low to support frequent, convenient transit service. It is clear that the way we choose to accommodate population and economic growth will have a profound effect on future air quality.

Facing the Challenges

Even at its current size, the Bay Area confronts a number of pressing economic, environmental and social issues that will only worsen as the region's population grows. Resolving these problems will require difficult choices.

What follows is a compendium of strategies and actions the region might pursue to ensure that future San Francisco Bay Area residents share equitably in the benefits of a healthy environment and strong economy. Some of the proposals may be implemented through individual action by local governments. Others require coordination between local agencies, or between government and the private and nonprofit sector. A number would require legislation at the federal or state level. A few of the proposals have already been adopted by individual communities.

None of the proposals need to be implemented precisely as described. However, if we are able to achieve a significant portion of these objectives, we will go a long way toward redirecting growth in a manner that will maintain the region's prosperity while improving the quality of life for all its inhabitants for generations to come.

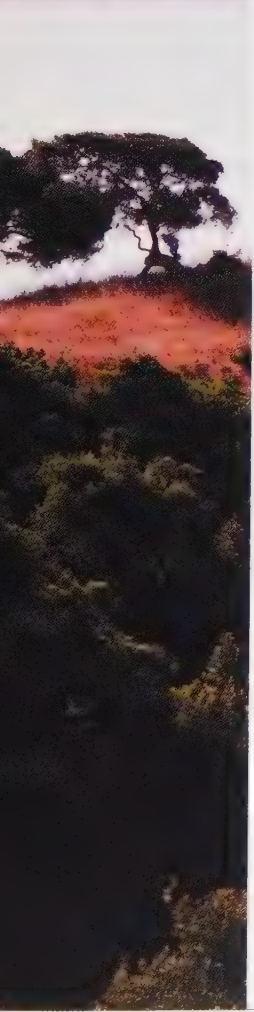
Leaders are the custodians of a nation's ideals, of the beliefs it cherishes, of its permanent hopes, of the faith which makes a nation out of a mere aggregation of individuals.

Walter Lippman, Political Philosopher



Sustaining Our Quality of Life

Process:

- 1 Establish a permanent framework for comprehensive, collaborative subregional and regional planning.
 - 2 Increase cooperation with adjoining regions to address common problems, such as traffic congestion, urban sprawl, air pollution, and the mismatch in the location of housing and jobs.
 - 3 Develop indicators of progress toward sustainable goals relating to environmental, economic, and equity issues. Regularly monitor and report on our headway.
 - 4 Encourage cities and counties to incorporate a regional and subregional vision statement in their local plans.
 - 5 Develop a region-wide consensus on which areas, beyond current urban service areas, should be opened to new growth.
 - 6 Explore means of including disenfranchised people—homeless, disabled, and young people—on regional boards in decision-making capacities.
 - 7 Advocate for statewide legislation that would replace the two-thirds majority voting requirement for taxes and bonds with a simple majority.
 - 8 Advocate for statewide fiscal reform that offsets revenue-driven development policies and assures localities greater revenue stability.
- 

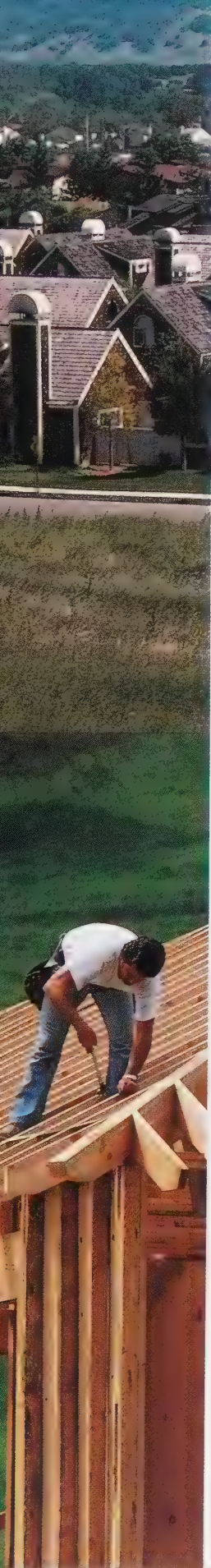
Tactics:

- 9 Reward communities that pursue “smart” land-use policies, such as compact and transit-oriented developments, with state and federal grants as well as other financial incentives.
- 10 Offset the impetus to approve excess commercial projects by providing incentives that encourage localities to share sales tax growth regionally or subregionally.
- 11 Create fiscal and tax policies that support sustainability goals and regional initiatives, such as shifting priorities in funding from automobile-based to transit-based infrastructure.
- 12 Establish urban growth boundaries and other strategies that foster compact communities.
- 13 Recognize and support manifestations of ethnic diversity, including ethnic museums in identified neighborhoods and business corridors.
- 14 Make dense urban neighborhoods desirable through good design, e.g., integrate new development into established patterns, allow a mix of uses, preserve local history, create or preserve density at a scale that makes pedestrians comfortable, and invest in parks.
- 15 Offer businesses incentives to adopt practices that minimize negative impacts on the environment; encourage regulators to work together to increase their effectiveness in ensuring compliance with existing laws.

The time to repair the roof is when the sun is shining.

John F. Kennedy, President of the United States





Diversifying the Region's Housing Options

Institutional Barriers:

- 16 Develop a new approach to meeting regional housing needs by passing legislation that provides financial rewards to those communities that effectively address this issue.
- 17 Advocate for a substantial increase in federal and state funding to counties and cities for low- and moderate-income rental housing and assistance to first-time home buyers.
- 18 Give contiguous communities an incentive to share resources to meet the region's housing needs.
- 19 Educate the public about the real impacts of new affordable housing developments, and the potential benefits of higher density housing and mixed-use neighborhoods.

Financial Resources:

- 20 Advocate for the establishment of innovative financing instruments such as location-efficient mortgages, that would assist people interested in buying housing close to public transit and residential services.
- 21 Establish a regional housing trust fund that would provide a new funding source for needed development throughout the region.

Local Policies & Review Procedures:

- 22 Promote residential and mixed-use residential/commercial development on excess, vacant or under used industrial land.
- 23 Encourage additional residential development centered around transit facilities.
- 24 Encourage all communities to increase their housing densities, at least modestly.
- 25 Streamline permit-review procedures for projects that conform to the densities permitted in local plans.

You can be social minded without being a socialist.

Charles E. Wilson, Former Chairman,
General Motors Corporation





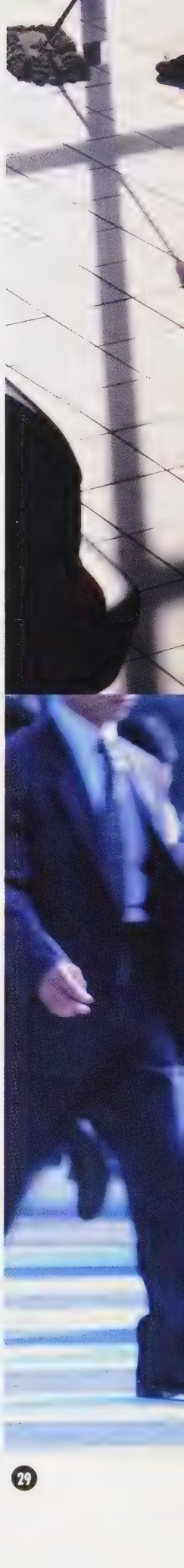
Narrowing the Gap Between the Haves & the Have-Nots

Job/Training:

- 22 Encourage businesses to offer their employees financial and other incentives to continually upgrade their work skills.
- 23 Negotiate linkage agreements with private employers and unions in key growth industries that pay a livable wage (e.g. construction) to hire and train unemployed and/or low-income workers from impoverished inner-city neighborhoods.
- 24 Advocate for a federal educational loan program that would facilitate efforts by low-skill/low-wage workers to train for higher skill/higher paid positions, particularly in fields with staffing shortages.

Employment:

- 25 Encourage businesses to institute “reverse commute” subscription services. These vans or minibuses would provide inner city employees, including low-wage workers unable to afford a vehicle, transportation from designated pick-up points to jobs in outlying employment centers.
- 26 Encourage citizens, business groups and local governments to pressure financial institutions to invest in housing and employment developments in the low-income communities they serve, to provide in-store branches in smaller markets serving those communities, and to maintain branch offices in all communities.
- 27 Advocate for state funding to implement strategies developed by consortiums including local governments, businesses, economic development consultants, social service providers, and community organizations that would increase the quality and quantity of better paying jobs, and opportunities for advancement.
- 28 Press for a refundable state Earned Income Tax Credit (EITC) to boost the incomes of the state’s working poor. The state EITC would be based on a family’s size and income and would complement the federal EITC.

- 
- 29 Explore the possibility of raising the minimum wage in the state to a “bare bones” level that would allow households to pay for their basic needs. Link the rate to the cost-of-living index.
 - 30 Increase the number of daycare centers at primary and secondary schools to better serve working parents; provide incentives to employers to provide on-site daycare.
 - 31 Encourage open discussion on and seek resolution of racial/ethnic problems in all aspects of community life, including housing and employment. This should be a broad-based effort involving schools, lenders, business and civic organizations, religious and community organizations and the real-estate community.

The Next Generation:

- 32 Promote techniques that encourage more parental involvement in schools.
- 33 Boost grade-school academic achievement and per-pupil spending so that California ranks among the top 10 states on both measures.
- 34 Reward businesses that partner with schools, particularly those schools where students are performing below regional averages.
- 35 Strengthen existing partnerships between business, school districts and community colleges, and expand the quality, quantity and variety of vocational training courses to ensure that students graduate with the skills they need for better paying, future-oriented jobs.
- 36 Replicate innovative local programs and activities that create and improve linkages between education, training and jobs.

*If you think education is expensive,
try ignorance.*

Derek Bok, President Emeritus,
Harvard University



Using What We Have More Wisely

Land:

- 37 Reinforce a city-centered concept of urban development by directing growth to areas where infrastructure capacity is available or committed.
- 38 Support more development activity near major transit lines by increasing allowable intensity of new development and streamlining development review procedures.
- 39 Institute “full cost” pricing on infrastructure expansion prompted by new development. This will direct potential investment into existing urban areas rather than on new land far from the urban core.
- 40 Clean up and redevelop contaminated sites through economic incentives and regulatory flexibility in order to reduce environmental hazards and encourage economic and infill development in older urban areas.
- 41 Protect open space by transferring the development rights on such land to other portions of the community or region.

Air:

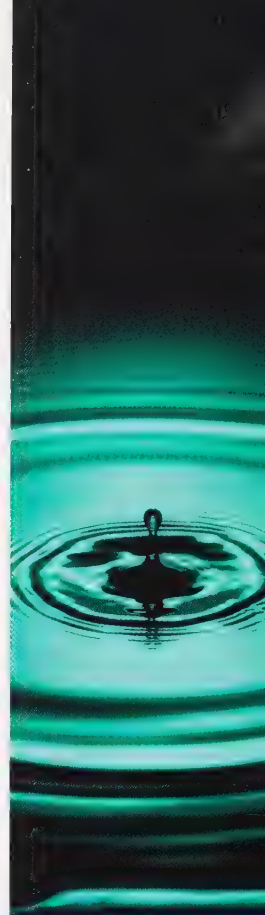
- 42 Mount a campaign, coordinated by a coalition of business, environmental, community, and civic leaders, to educate the public about the need to shift from large, heavy, gas-guzzling vehicles to more fuel-efficient ones to decrease climate-changing greenhouse gases. Press national leaders to speak out on this issue.
- 43 Provide and maintain safe, convenient bicycle and pedestrian systems that link residential, commercial and recreational uses and encourage walking rather than driving.

Water:

- 44 Promote energy-and water-efficiency techniques, such as regional rebates, competition and advertising, to encourage consumers to purchase products that protect the environment.
- 45 Adopt water hookup and monthly usage fees that reflect the real costs of replacing or expanding water supplies.
- 46 Adopt standards for water and sewer suppliers that establish how much supply and storage capacity should be reserved for existing users before expanding service to new users.
- 47 Conserve existing water supplies, promote use of reclaimed water, and carefully manage groundwater supplies. In particular, preserve areas with prime soil percolation capabilities and prevent the placement of any possible sources of pollution in such areas.

When we walk upon the earth we always plant our feet carefully, because we know the faces of our future generations are looking up at us from beneath the ground.

Larry Echohawk, Pawnee Tribe





Improving Regional Mobility

Transit-Focused Strategies:

- 48 Give higher priority to the funding of transit, bicycling, carpooling, ferries and other alternative modes of transportation.
- 49 Employ pricing mechanisms, such as tolls, a registration surcharge, or an annual mileage-based fee, to discourage auto use.
- 50 Provide incentives to businesses and institutions that embark on or expand existing telecommuting, teleconferencing, or distance-learning programs.
- 51 Encourage all businesses in the region to provide their employees free public transit passes. Advocate for state tax breaks for businesses that provide “Eco Passes” to their employees.
- 52 Reduce or eliminate implicit employer parking subsidies; encourage employers to invest the money they would have spent building and maintaining parking lots on public transit rebates for employees.
- 53 Increase the gas tax or impose other “user” fees to encourage ridesharing, public transportation and more efficient vehicles. Offset the disproportionate impact on low-income workers by reducing state income tax rates for low wage earners.
- 54 Explore the possibility of reinstituting school buses at public schools to reduce the number of short vehicle trips and traffic congestion near schools.

Land-Use Strategies:

- 55 Encourage the development of “walkable” communities, where shops and activities are within strolling distance of homes.
- 56 Increase transportation planning funds to communities that approve a certain percentage of new residential development at specified densities, for example a minimum of 15 units per acre.
- 57 Provide additional transportation funding to localities with light or fixed transit rail systems that approve higher density residential developments within one-quarter to one-half mile of existing or planned public transit stations or routes.
- 58 Create a regional development credit bank that rewards property development in areas with under utilized transit and other infrastructure.
- 59 Advocate for state legislation that would reward better coordinated transit and land-use development programs.

Logical consequences are the scarecrows of fools and the beacons of wise men.

Thomas Henry Huxley, English Biologist



Where Do We Go From Here?

Bay Area residents face a number of tough, critical, decisions about the course our future should take. The choices we make, or fail to make, will affect the health and prosperity of the region and its inhabitants well into the next century.

To engage the greatest number of residents, and to ensure they are informed about the trade-offs and consequences of their decisions, the Association of Bay Area Governments will mount a major educational campaign over the next two years. That campaign will take the form of conferences, video programs, special reports, editorials, and town hall meetings.

*Pick battles big enough to matter, small
enough to win*

Jonathon Kozol, Author

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